

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2000-246-C - ORDER NO. 2000-941
NOVEMBER 15, 2000

IN RE: Application of Long Distance of Michigan,)	ORDER
Inc., d/b/a LDMI Telecommunications, also)	GRANTING
d/b/a FoneTel for A Certificate of Public)	CERTIFICATE FOR
Convenience and Necessity to Operate as an)	LONG DISTANCE
Interexchange Telecommunications Resale)	AUTHORITY AND
Carrier within the State of South Carolina and)	ALTERNATIVE
for Alternative Regulation.)	REGULATION

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of Long Distance of Michigan, Inc. d/b/a LDMI Telecommunications, also d/b/a FoneTel ("Long Distance of Michigan" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to operate as an interexchange telecommunications resale carrier within the State of South Carolina. In addition, the Company requests that the Commission regulate its business services, consumer card, and operator service offerings under alternative regulation identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. The Company's Application was filed pursuant to Chapter 9 of Title 58 of the South Carolina Code Annotated, and the Rules and Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed Long Distance of Michigan to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform interested parties of Long Distance of

Michigan's Application and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. The Company complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. No Petitions to Intervene were filed.

A hearing was convened on October 12, 2000, at 11:30 a.m. in the Commission's Hearing Room at 101 Executive Center Drive, Columbia, South Carolina. The Honorable William Saunders, Chairman, presided. Bonnie D. Shealy, Esquire, represented Long Distance of Michigan. Adelaide D. Kline, Staff Counsel, represented the Commission Staff.

Jerry Finefrock, Vice President-Network Planning of Long Distance of Michigan, appeared and testified in support of the Application. Long Distance of Michigan is a Michigan corporation that has received authority to operate as a foreign corporation in the State of South Carolina. The Company also requested that the Commission regulate its long distance business services, operator service, and consumer card services offerings in accordance with the principles and procedures established for alternative regulation in Orders No. 95-1734 and 96-55 in Docket No. 95-661-C.

Long Distance of Michigan is a switchless reseller of interexchange telecommunications services. Upon receiving certification from this Commission, Long Distance of Michigan plans to operate as a reseller of intrastate interexchange telecommunications services to subscribers to and from all points in the State of South Carolina. The Company does not plan to utilize its own switching equipment or transmission facilities for South Carolina customers at this time. The record reveals the Company relies on its underlying carrier for all facets of the network and switching capabilities. The underlying carrier orders access from the local carrier which routes

the calls over its switched access facilities to their nearest point of presence. The underlying carrier then transports the calls to its switch and terminates calls over its own terminating network (feature group or leased facilities). Resold telecommunications services offered by Long Distance of Michigan include outbound switched access roll service on a presubscribed basis, inbound toll-free service and travel card services. Services are provided to both residential and business customers. Long Distance of Michigan's outbound presubscribed switched access toll service allows customers to place direct dialed calls to interstate and intrastate terminating locations. Calls are placed by dialing "1+" or a carrier access code and the destination telephone number, including the area code if applicable. Long Distance of Michigan's toll-free service is an inward 8XX service. It permits termination of interstate and intrastate calls from diverse geographic locations to customer local exchange lines or to dedicated access facilities. With toll-free service, the customer is billed for the call rather than the call originator. The Company's travel card service allows customers to place calls from locations other than their normal place of business or residence. A toll free access number must be dialed to reach the Long Distance of Michigan network. A customer-specific authorization code is then dialed in addition to the destination telephone number. Customers may connect to Long Distance of Michigan's travel card service from any location which permits dialing of the toll-free number.

Mr. Finefrock testified that he founded Long Distance of Michigan in May of 1990 and that the Company has grown to about 70,000 customers; he stated that this year the Company will probably generate about \$50M in revenues. Mr. Finefrock stated he has been in the telecommunications industry about thirty-three years. He said he started his career with an independent telephone company in California in 1966 and joined Sprint in June of 1974. He

offered that he served as an executive officer of two long distance telecommunications companies in the State of Michigan before he started his own company, Long Distance of Michigan. Mr. Finefrock explained that Long Distance of Michigan acquired another long distance telecommunications company last year called FoneTel which principally provides international long distance services to residential customers in several ethnic groups: middle Eastern, Eastern European and Asian customer bases. Mr. Finefrock's responsibilities with the Company include the Company's regulatory functions. He will also serve as the Company's regulatory contact person.

Mr. Finefrock offered testimony regarding the Company's technical, financial, and managerial ability to provide telecommunications services in South Carolina. He stated the key members of the management team have extensive experience in the telecommunications industry. The record reveals that Patrick O'Leary is President and Chief Operating Officer. Mr. O'Leary joined the Company in August of 1995. He previously spent three years as Vice President of Channel Sales for Ram Mobile Data, a provider of two-way wireless communication and product services. Linda A. Hanson is Senior Vice President, Sales/Customer Care. She is a fifteen year veteran of the telecommunications industry. Ms. Hanson worked for over a decade for Allnet Communication Services, Inc. prior to joining Long Distance of Michigan in July of 1995. Mr. Finefrock testified that David Bailey is now Vice President, Marketing, for Long Distance of Michigan. He said Mr. Bailey had previously been Vice President of Planning for Sprint. Philip Jacobs is Vice President, Operations and Engineering, for the Company. Mr. Finefrock stated that he and Mr. Jacobs had been acquainted since the late 1970's and that Mr. Jacobs had also previously been with Sprint. Other key management personnel include Dennis L.

Shaw, Senior Vice President, Product Development, and Thomas Vandever, Vice President, MIS.

Regarding the Company's technical ability to provide telecommunications services in South Carolina, the testimony reveals Long Distance of Michigan will only utilize carriers properly certified by the Public Service Commission. Mr. Finefrock stated that Long Distance of Michigan performs all of its own billing. The record reveals the Company's name, address, and toll-free telephone number for customer inquiries and complaints will be provided on the customer's bill. He said Long Distance of Michigan prides itself on the accuracy and timing it has been able to achieve in its billing functions. He said that Long Distance of Michigan is also proud of its customer service center which operates its toll-free telephone number twenty-four hours a day, seven days a week. The Company's customer service toll-free telephone number is 1-800-374-5364 and is located at the Company's headquarters in Hamtramck, Michigan. Mr. Finefrock stated that customers would call the same toll free number to report repair problems which would then be referred to the proper contact person with the appropriate carrier. Long Distance of Michigan's customer service contact person is Linda A. Hanson.

Mr. Finefrock stated the Company has access to any financing and capital that would be necessary to conduct its telecommunications operations in South Carolina. The record reveals that Long Distance of Michigan will use its existing personnel and financial resources to provide the proposed services. Long Distance of Michigan is an established telecommunications provider that is currently certificated in forty-six states. Mr. Finefrock stated that the Company provides long distance and local services primarily in the five midwestern states of Michigan, Ohio, Illinois, Indiana and Wisconsin. He said the Company first offered its services in Michigan in

1992. He explained that he founded the Company and initially funded it with a block grant from the State of Michigan which was making funding available at that time to start up companies in areas of the state that needed an economic boost. He said the block grant funding was designed to give job opportunities to low and moderate income citizens, and that the Hamtramck area of Detroit was one of those areas that needed economic "boot strapping." He further stated that the Company initially had a \$300,000 block grant that was extended to about \$650,000. Mr. Finefrock testified that the block grant funding had all been repaid by Long Distance of Michigan. Further, he stated that the Company is currently funded by a number of venture capital firms from Indiana and Ohio; he said the Company's first round of venture capital funding was \$3.5 M and the second round of venture capital financing was \$10 M. He stated that Long Distance of Michigan is currently in the process of bringing in an additional \$50 M worth of equity that it expects to close on in several months. Mr. Finefrock testified that Stan Katz, Vice President and Chief Financial Officer will serve as the Company's financial contact.

The testimony at the hearing and the record reveal that the Company will offer general long distance telecommunications services to business and residential customers in South Carolina, including inbound, outbound and operator services necessary to offer long distance services. Mr. Finefrock testified that Long Distance of Michigan will market its services in South Carolina through sales campaigns in various media conducted by its own in-house staff of marketing experts, or by qualified field sales organizations. Mr. Finefrock offered that the Company anticipates its sales in this State will come principally from companies who have corporate headquarters in the midwest and additionally have offices and homes located in South Carolina. Long Distance of Michigan does not plan to use telemarketing in South Carolina but is

aware of the Commission's marketing guidelines. Mr. Finefrock said the Company's principal underlying carrier in South Carolina will be Global Crossing, formerly known as Frontier, and MCI WorldCom.

By its Application and presentation at the hearing, Long Distance of Michigan requested a waiver of one of the Commission's Rules and Regulations. The Company is requesting a waiver of 26 S.C. Code Ann. Regs. 103-610 (1976) so that the Company can keep its records at its Company headquarters in Hamtramck, Michigan. Mr. Finefrock stated that the Company is aware and agrees to abide by the Commission's regulation that requires that these records be made available for examination by the Commission at reasonable hours. Finally, Long Distance of Michigan requests that all of its business service offerings be regulated in accordance with the procedures described and set out in Order No. 95-1734 and 96-55 in Docket No. 95-661-C so that Long Distance of Michigan's business services are regulated in the same manner as AT&T Communications of the Southern States.

After full consideration of the applicable law, the Company's application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Long Distance of Michigan is organized as a corporation under the laws of the State of Michigan and is authorized to do business as a foreign corporation in the State of South Carolina by the Secretary of State.
2. Long Distance of Michigan operates as a non facilities-based reseller of interexchange services and wishes to provide its services in South Carolina.

3. Long Distance of Michigan has the experience, capability, and financial resources to provide the services as described in its Application.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to Long Distance of Michigan to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through its own facilities and through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. The Commission adopts a rate design for the long distance services of Long Distance of Michigan which are consistent with the principles and procedures established for alternative regulation of business service offerings set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. Under the Commission approved alternative regulation, the business service offerings of Long Distance of Michigan including consumer card services, and operator services, are subject to a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 96-661-C. Under this relaxed regulatory scheme, tariff filings for business services shall be presumed valid upon filing. The Commission will have seven (7) days in which to institute an investigation of any tariff filing. If the Commission institutes an investigation of a particular tariff filing within the seven days, the tariff filing will then be suspended until further Order of the Commission. Any relaxation in the

future reporting requirements that may be adopted for AT&T shall apply to Long Distance of Michigan also.

3. The Commission adopts a rate design for Long Distance of Michigan for its resale of residential interexchange services which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

4. Long Distance of Michigan shall not adjust its residential interexchange rates below the approved maximum level without notice to the Commission and to the public Long Distance of Michigan shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for residential services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provision of S.C. Code Ann. §58-9-540 (Supp. 1999).

5. If it has not already done so by the date of issuance of this Order, Long Distance of Michigan shall file its revised tariff and an accompanying price list within thirty (30) days of

receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

6. Long Distance of Michigan is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers and facilities-based interexchange carriers should be treated similarly.

7. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

8. Long Distance of Michigan shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Long Distance of Michigan changes underlying carriers, it shall notify the Commission in writing.

9. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. Long Distance of Michigan shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The form the Company shall use to file this authorized utility representative information can be found at the Commission's website at www.psc.state.sc.us/forms. This form is entitled "Authorized Utility Representative Information." Further, the Company shall promptly notify the Commission in writing if the representatives are replaced.

10. Long Distance of Michigan shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. Annual reports and gross receipt reports are required by the Commission. The Company shall keep such financial records on an intrastate basis as needed to comply with the annual report and gross receipt filings. The forms the company shall use to file annual financial information with the Commission can be found at the Commission's web site at www.psc.state.sc.us/forms. The form for reporting annual information for interexchange services is entitled "Annual Information on South Carolina Operations for Interexchange Companies and AOS" and consists of two pages. Be advised that the Commission's annual report for telecommunications companies requires the filing of intrastate revenues and intrastate expenses.

11. With regard to the origination and termination of toll calls within the same LATA, Long Distance of Michigan shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dial parity rules established by the Federal Communications Commission, pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209).

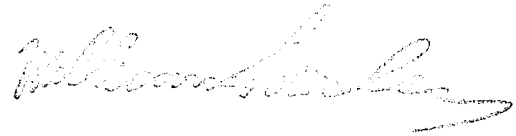
12. By its Application, Long Distance of Michigan requested a waiver of 26 S.C. Code Ann. Regs. 103-610 (1976) so that the Company could maintain its records in Michigan. Long Distance of Michigan also requested that all of its business services offerings be regulated under alternative regulation. Long Distance of Michigan is granted waivers from Regulation 103-610 and shall be able to keep its records in Michigan. We grant the Company's request that

all of its business service offerings be regulated in accordance with the procedures described and set out in Order No. 95-1734 and 96-55 in Docket No. 95-661-C.

13. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

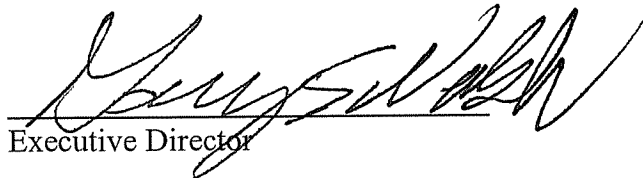
14. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Chairman

ATTEST:


Executive Director

(SEAL)